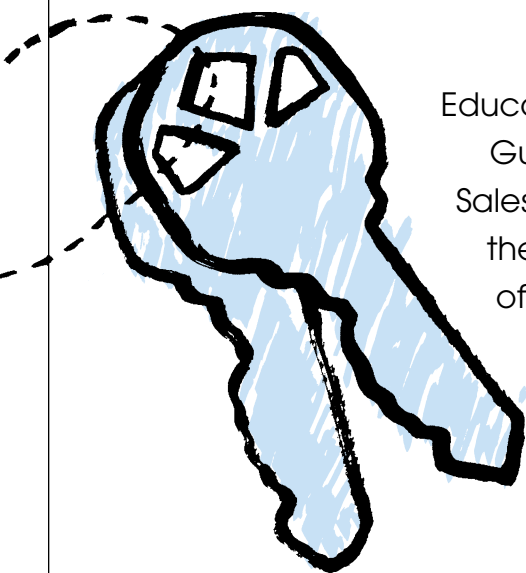


Tax Commission

IDAHO

RENTAL & LEASING FIRMS



An
Educational
Guide to
Sales Tax in
the State
of Idaho

This brochure is intended to help rental and leasing firms understand the sales tax laws that apply to their business. This information is based on the sales tax laws and rules in effect on April 1, 2003.

This brochure applies to the lease or rental of tangible personal property. For information on the lease or rental of real property, see Brochures #16 and #17.

RENTALS

ARE RENTALS TAXABLE?

Generally, the rental of tangible personal property is considered a sale. Rentals fall into two categories:

- 1) Bare equipment rentals, and
- 2) Fully operated equipment rentals.

Bare equipment rentals are taxable, while fully operated equipment rentals are not taxable.

WHAT IS BARE EQUIPMENT RENTAL?

A rental is considered a “bare equipment” rental when the owner rents the equipment or property to a customer without providing an operator. The customer operates or uses the property or equipment.

The owner is a retailer and must get a seller's permit from the Tax Commission. Sales tax must be charged on a bare equipment rental unless the customer qualifies for an exemption and gives the retailer a completed form ST-101, Sales Tax Resale or Exemption Certificate (see Brochure #5). Tax applies whether the equipment is rented on an hourly, daily, weekly, monthly, mileage, or any other basis.

In addition to the rental fee, charges for tire wear, property taxes, mandatory damage waivers or similar things also must be taxed. Cleaning charges are taxable unless they are not agreed to as part of the rental.

ARE TRASH CONTAINER RENTALS CONSIDERED BARE EQUIPMENT?

Yes. The rental of a trash container or dumpster is taxable. Its taxable rental price must be listed separately from the nontaxable fee for the service to empty the container.

WHAT IS A FULLY OPERATED EQUIPMENT RENTAL?

A "fully operated" equipment rental is an agreement in which the owner of the equipment or property supplies it with the necessary operators who are his own employees.

IS THE FEE FOR A FULLY OPERATED EQUIPMENT RENTAL TAXABLE?

No. When an equipment owner provides equipment with an operator, he is considered to be providing a service rather than renting equipment.

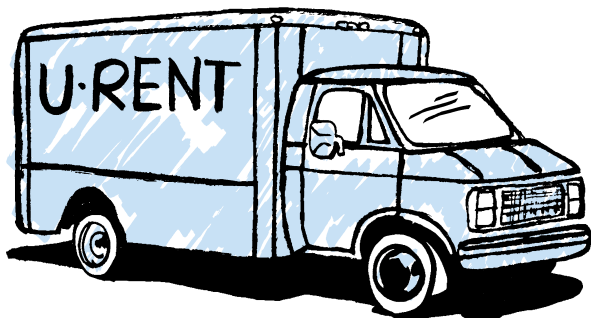
CAN I BUY EQUIPMENT TAX-EXEMPT IF I PROVIDE FULLY OPERATED EQUIPMENT SERVICES?

No. You must pay tax when you buy equipment for this purpose.

WHAT IF I BUY EQUIPMENT TO RENT BOTH AS BARE EQUIPMENT AND FULLY OPERATED?

Whether you can buy the equipment without paying tax depends on your primary rental activity. If the majority of your business is bare equipment rental with occasional fully operated rentals, you can buy the equipment, repair parts and supplies without paying tax; however, you must pay use tax on the fair rental value of the equipment when you provide fully operated services.

If the majority of your business is providing fully operated equipment services, you must pay tax when you buy the equipment, repair parts and supplies. When you rent the equipment as a bare equipment rental, you must charge sales tax to your customers.



LEASES

ARE LEASES TAXABLE?

Yes. However, the way the tax applies depends on the type of lease.

- **Straight lease:** The property is returned to the leasing company at the end of the lease term. Sales tax applies to each lease payment.
- **Lease with option to buy:** The customer makes regular payments and has the option to buy the item at some point during the term of the lease at a price that represents fair market value. Sales tax applies to each lease payment. If the customer elects to buy the item, sales tax also applies to the buy-out amount.
- **Lease/purchase:** At the end of the lease, title to the item passes to the customer for no additional cost or for an amount that is less than the true value. Sales tax is due on the full retail sales price at the time the lease contract is signed. This is actually a purchase agreement with a financing arrangement. Sales tax is calculated in the same manner as if the retailer was selling the item.

ARE LEASES OF MOTOR VEHICLES TREATED DIFFERENTLY?

Generally, no. However, there are some sales tax exemptions that apply to motor vehicles but not to other equipment. For more information, see Brochure #14 – Motor Vehicles.

IS THE PURCHASE OF MY LEASE INVENTORY TAXABLE?

No. You may buy your lease equipment and its repair parts and supplies without paying tax to the supplier if you give him a completed form ST-101. See Brochure #5 for more information on exemption claim forms.

GENERAL

WHAT IF I USE EQUIPMENT FROM MY RENTAL OR LEASE INVENTORY?

If you use equipment from your nontaxed rental or lease inventory, you must pay use tax based on the fair market rental value of the equipment for the period it is used. The use tax is paid on your regular sales tax return.

IF MY BUSINESS IS LOCATED IN ANOTHER STATE, DO I STILL HAVE TO COLLECT IDAHO SALES TAX?

Yes, if any of the property you rent or lease is located in Idaho. If the item you are leasing to your customer is a motor vehicle, an Idaho title and registration will not be issued unless you have an Idaho seller's permit. See Brochure #6 for more information on out-of-state businesses.

ARE RENTALS OR LEASES TO OUT-OF-STATE CUSTOMERS TAXABLE?

Whether tax applies to leases or rentals of property for use outside Idaho depends on the manner of delivery to the customer. If the customer takes delivery of the goods in Idaho, the lease or rental payment for the first month (or other period) is subject to Idaho tax. You must document the fact that the balance of the equipment's use will be outside Idaho.

If you deliver the equipment to the customer in another state, no Idaho sales tax is due. You must keep records documenting the out-of-state delivery, and the fact that the balance of the equipment's use will be outside Idaho.

FOR MORE INFORMATION, READ:

Brochure #2	Use Tax
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #6	Out-of-State Businesses
Brochure #14	Motor Vehicles
Brochure #16	Food, Drink & Lodging
Brochure #17	Recreation
Rule 024	Rentals or Leases of Tangible Personal Property
Rules 106-108	The Motor Vehicle Rules

This brochure was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Idaho State Tax Commission or a qualified tax practitioner.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with section 60-202 Idaho Code.

